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14 April 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****14 April 1960****PART I****OF IMMEDIATE INTEREST****SOUTH AFRICA**

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During Prime Minister Verwoerd's recuperation from the 9 April attack on his life, the South African Government is being led by Minister of Lands Paul Sauer, a member of the relatively moderate wing of the ruling Nationalist party. Sauer and other government spokesmen have indicated that Verwoerd's policies will be continued. In fact, the Nationalist drive for total racial separation may be intensified in an effort to reduce South Africa's overwhelming dependence on African labor. Police raids and arrests in African areas are continuing.

With the outlawing of the two main African nationalist

**SAUER**

organizations--the African National Congress and the Pan-Africanist Congress--and the arrest of most of their leaders, Africans have lost most of their ability to organize effective protests.

**VERWOERD**

The continuing crisis may have aggravated the splits within the European population. Although the English community, represented in Parliament by the United party, has supported the government's efforts to suppress the Africans, United party leaders have called for an investigation of the causes of the disturbances once the tension abates. Moreover, the English population, which dominates South African industry and wishes to retain a large urban African labor pool, will

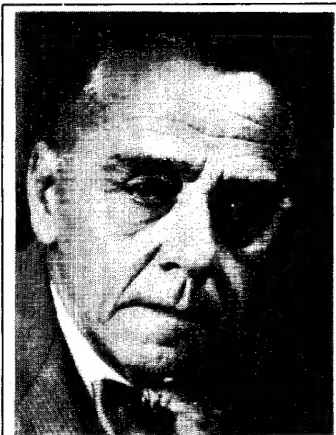
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LOUW

probably increase its opposition to the Afrikaners if the latter follow through with their apparent aim of intensifying the implementation of apartheid.

Afrikaner distrust of the English community may be heightened by the fact that Verwoerd's

would-be assassin is of English descent. In addition, Afrikaners are no longer united among themselves; influential Nationalists in the Cape Town area have recently begun to criticize fundamental aspects of their party's policies.

South Africa's representation at the London conference of Commonwealth prime ministers in May has not been determined. Sauer or some other senior cabinet members may attend in place of Verwoerd; otherwise, South Africa will be represented only by External Affairs Minister Eric Louw, a Nationalist extremist [redacted]

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Even if a more moderate representative should accompany Louw, the outlook is for growing tension between South Africa and the other members of the Commonwealth. [redacted]

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CUBA

The Castro regime continues to expand relations with the bloc. It seems to be preparing its first exchange of ambassadors with a Sino-Soviet bloc country--Czechoslovakia. On 7 April, the secretary general of the Cuban Communist party, in Prague en route to Moscow, told Czech newsmen that he hoped "the Cuban ambassador would soon arrive in Prague on the basis of an agreement to establish diplomatic relations." Czechoslovakia was the first Communist country to establish per-

manent trade representation with the Castro regime, and there have been increasing cultural, military, and economic contacts but no formal trade agreement like those with the USSR, East Germany, and Poland.

Polish officials have insisted that only sport and agricultural planes and helicopters will be sold to Cuba under a trade and payments agreement signed recently in Havana by the Polish deputy minister of commerce. [redacted]

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[REDACTED]

Exchanges of visits by cultural, labor, and agricultural missions between Cuba and the Soviet Union and Communist China are increasingly reported, and Castro plans to establish diplomatic relations with these regimes and other Communist countries. However, there is no evidence that the USSR has yet taken action on the expressed agreement of Mikoyan and Castro in February to resume diplomatic relations "at a convenient time." Moscow may wish to assess reaction to the Czech move and to wait until after the summit conference in May.

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[REDACTED]

antigovernment guerrilla bands in the Sierra Maestra [REDACTED]

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could provide the nucleus for an eventually much larger and more serious challenge to Castro's position.

The growing number of defections from the regime has caused widespread comment in other Latin American countries adverse to the Castro regime. The Cuban air attaché in Mexico defected on 11 April, declaring his conviction that Castro has betrayed the Cuban revolution. He said the only road now open for him is again to take up arms, this time to fight Castro. The resignation on 7 April of the Cuban ambassador to UN offices in Geneva, Andres Vargas Gomez, is perhaps even more significant, since he is widely respected and capable and is representative of professional and business elements who have become thoroughly disillusioned with Castro.

In its plans for the "hungry nations" conference in Havana in September, Cuba now seems resigned to accept unofficial delegations to an obviously non-governmental conference. This is indicated by the recent Cuban invitation to ten Honduran students and pro-Castro members of the Honduran congress. The conference will thus be a far cry from Castro's original plan for a meeting of official delegations headed by prominent personages, but his control of the conference is assured and extensive propaganda exploitation can be expected. [REDACTED]

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EAST-WEST RELATIONS

As the Western foreign ministers began meeting in Washington, Moscow reverted to its standard propaganda line that influential circles in the West still oppose negotiating with the USSR and that this continues to divide the alliance. Moscow seized on Secretary Herter's 4 April speech to contrast Western skepticism over the prospects

for agreement at the summit with Khrushchev's public expression of optimism following his talks with De Gaulle.

The Soviet press criticized the speech as a demonstration of how the "weight of the past" still drags US policy along the "inglorious cold-war road." Izvestia on 9 April

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claimed that Herter used the "threadbare" thesis of the threat of aggression from the East to urge Western European countries, particularly Bonn, to "arm and rearm."

Moscow also used the speech as "evidence" of divisions within the West. Izvestia said Herter's defense of the "new" West Germany as a stabilizing factor in Europe was shown to be "elementary hypocrisy" by a London Times report that in his talks with Macmillan the secretary did not deny Germany could become a danger to Europe. Pravda claimed that the speech clashed with Premier Debre's statement on the same day calling for a speedy solution of disarmament problems, and was generally at odds with the tone set at Camp David and at Rambouillet, where Khrushchev and De Gaulle met.

As part of the general propaganda build-up to place the West on the defensive before the summit conference on 16 May, Moscow has intensified its efforts to discredit the Adenauer government with a series of critical notes, announcements, and press conferences

Adenauer still favors a pre-summit plebiscite in West Berlin, but the West Berlin

city council agreed to hold the plebiscite if requested by both the Bonn government and the Allies. Consequently, Adenauer apparently decided to reserve the plebiscite idea for possible use at a later date.

Disarmament

The bloc delegates at the Geneva disarmament conference have stepped up pressure to commit the West to a set of general principles which could be referred to the summit for endorsement. Following formal rejection of each other's plans, Soviet delegate Zorin suggested that this line of debate be abandoned in favor of returning to the United Nations resolution as the commonly agreed point of departure. He introduced a slightly refurbished version of the Soviet proposal, under the heading "Fundamental Principles of Complete and General Disarmament." He stressed that the discussions had revealed certain points of mutual agreement which should be recorded before proceeding to draft specific measures for a treaty.

The bloc delegates promptly moved to establish this document as the basis for further debate by inviting the Western powers to offer amendments and suggestions. Zorin argued that areas for possible agreement were larger than the West admitted and cited the preamble, measures constituting complete disarmament, and the concepts of stages and effective controls contained in his list of principles.

These tactics, plus the Soviet agreement to a long recess in the conference from

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29 April until 7 June, reflect Moscow's apparent belief that the West will make no basic shift in its disarmament position prior to the summit conference. The bloc delegates hope to obtain some agreed general statement, even though limited perhaps only to a treaty preamble which restates in effect the UN resolution.

Test Ban Talks

A member of the Soviet delegation to the test-ban talks has privately told a US official in Geneva that his delegation has forwarded to Moscow its recommendations on the Eisenhower-Macmillan statement of 29 March which called for unilateral pledges not to test small underground nuclear weapons. He added that it will take "some time" before a decision is reached.

In contrast to his usual approach to any new Western

move at the talks, the Soviet delegate has refrained from attacking the Western proposal. He has instead confined himself to posing questions about the duration and nature of the proposed moratorium and on the details of the research and development program, and to restating the Soviet position that any moratorium obligation should be incorporated in the test-cessation treaty and that the moratorium and research program should be conterminous. This cautious approach reflects Khrushchev's apparent desire to have the main elements of a test-ban treaty ready for decision at the May summit meeting.

In discussing the issues to be taken up by the heads of government, Soviet spokesmen continue to point to a test-ban treaty as offering the best possibility for agreement.

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MIDDLE EAST HIGHLIGHTS**Iraq**

The Iraqi scene this past week has been dominated by the visit of Soviet First Deputy Premier Mikoyan, who arrived on 8 April. He has talked with Qasim several times, but no official pronouncements have been made. Mikoyan is being given the usual tour--the hanging gardens of Babylon, model villages, and the US-built Daura oil refinery near Baghdad. He is scheduled to hold a press conference before returning to Moscow on 16 April.

Mikoyan has been greeted by large crowds, and the Com-

munist press has marked the visit by praising Soviet economic assistance. One nationalist paper, however, published an "open letter to Comrade Mikoyan" declaring that the "imperialists" could not have defamed "your reputation one tenth as much" as the Iraqi Communists have. Soviet publicity has been confined largely to accounts of Mikoyan's statements of friendship for the Iraqi people and to descriptions of his activities.

There have been no significant clashes or disturbances during the visit. However, Qasim chose the day before

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Mikoyan's arrival to chastise the leftist-run Iraqi press association and the Communist press for creating divisive influences in the country. His comments were particularly aimed at articles criticizing the government.

On 10 April the president of the Baghdad Military Court struck out at the Communist press for describing 66 individuals being tried as "honest fighters," stating, "No one can call these accused honest." Those referred to are Communists who set up a "workers' court" and executed 17 anti-Communists after the Mosul revolt in March 1959. A recent issue of Ittihad al-Shaab, the Communist mouthpiece, was devoted entirely to charges that the regime has shown partiality toward anti-Communist parties, has closed down Communist-dominated unions and imprisoned their leaders, and has failed to license peasant associations. At the same time, three previously suppressed nationalist papers have been allowed to resume publication.

The proceedings of pro-Communist Col. Mahdawi's People's Court now are being edited before being broadcast by Baghdad radio and television.

Libya

On 11 April a minority bloc in the Libyan Chamber of

Deputies launched virulent attacks on the operation of Wheelus Air Base, on the "lack of respect shown by Americans for Libyan sovereignty and honor," and on American "indifference" to Libya's economic needs. One of the group's spokesmen demanded that the chamber take matters into its own hands and "annul this evil American treaty."

While the Libyan Government still controls the majority of the chamber's membership, the strength of this opposition bloc was considerably increased in last January's elections. Earlier meetings of the newly elected membership were organizational; this is the first chance the minority group has had to use parliamentary debate to air its anti-American views.

As "rent" for continued American use of the air base, the prime minister and other leading governmental officials are insisting on a substantial level of American aid and a commitment of funds for several years which would be completely at the disposal of the Libyan Government. The government's handling of the minority parliamentary group on this issue will depend largely on the specific size and nature of pending new American aid proposals.

Arab League

The Arab League Political Affairs Committee, which two

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weeks ago found the hotly disputed Palestinian "state" question too delicate to handle, (see Part III, page 6), tried to tackle another controversial matter in Cairo last week. This was the UAR-sponsored proposal for an Arab boycott of French goods and the freezing of French assets in Arab states in protest against nuclear tests in the Sahara. In mid-March, Cairo quietly stopped issuing further import permits for French goods.

Disagreement in the Arab League committee showed that few, if any, of the other Arab governments intend to follow the UAR's lead, and Cairo probably is not pressing the issue. A Lebanese official publicly announced that his country would "refuse to abide by any Arab League recommendation for the boycott of France."

While there has been a strong adverse reaction in all the Arab states to the French nuclear tests, economic relations with France are important to many of them. Their governments prefer to express their opposition in ways which do not entail disruption of trade or possible financial loss. Thus, most of the Arab states will probably continue to concentrate on protesting through propaganda, public demonstra-

tions, and diplomatic notes. Working with the African states, they will also sustain their pressure in the United Nations for a special General Assembly session on the issue.

Turkey-USSR

Ankara and Moscow issued simultaneous announcements on 12 April that Premier Menderes would visit Moscow in July and Premier Khrushchev would make a return visit to Turkey at a later date. The USSR since early 1960 had been pressing for such an exchange, but officials in Ankara were reluctant to agree to the visits, fearing their effect on some of Turkey's allies--particularly Iran. The Turks apparently acquiesced to keep pace with some of their NATO allies in current efforts to improve East-West relations.

Officials in Greece have already indicated fear that the announcement will cause internal difficulties for the Karamanlis government, which has consistently rejected similar Soviet overtures. Iran, whose relations with the USSR have been severely strained during the past year, will also be under increased pressure to improve relations with Moscow.

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PART II

NOTES AND COMMENTS

FRANCE-ALGERIA

Fighting in Algeria may soon intensify, especially in the Tunisian border area. The rebels have indicated their desire to step up military operations as a means of improving their international standing. The build-up by both sides near the Tunisian border increases the possibility of French incursions into Tunisian territory in pursuit of rebel units.

French Defense Minister Messmer reported to the Senate Defense Committee on 6 April his concern over Tunisian "complicity" in allowing the installation of rebel training camps "within binocular range" of the Algerian frontier. He added that French military forces are not authorized to remedy this situation "for the time being."

Meanwhile, French Army headquarters in Algeria has declared the end of the eight-month campaign in the Kabylia Mountains, in which the French claim to have inflicted 5,000 rebel casualties, and announced the imminent transfer of the seasoned Tenth Paratroop Division, probably to the Tunisian border.

French military authorities state that they expect a rebel attack in force at an early date, and the press is giving anticipatory play to the "right of pursuit." The French have crossed the Tunisian border occasionally in the past, and the bombing of Sakiet-Sidi-Youssef in February 1958 resulted in a formal Tunisian complaint to the UN Security Council.

The rebels, who held a council of war in Tripoli from 4 to 6 April, plan to step up both military and political activity. Spokesmen of the provisional government have hinted that newly arrived arms will permit the launching of a spring offensive. The rebels, reportedly disappointed at Khrushchev's failure to plead their cause with De Gaulle, may send a delegation to Communist China to obtain arms and to demonstrate their willingness to accept aid from any friendly source. The rebels' moves to gain international acceptance as belligerents have included "ratification" of the Geneva convention at the Tripoli meeting, as well as efforts to inaugurate a "foreign legion," presumably made up of Arab volunteers, for Algeria.

Premier Debré's visit to Algeria from 11 to 13 April concentrated on preparations for the 29 May cantonal elections which his government, in spite of the skepticism of most political groups in France, apparently hopes will bring forward a new group of Moslems with whom Paris can discuss Algeria's future. While his public statements dealt mostly with problems related to economic and social progress, he said in a 12 April broadcast that a vote favoring independence in any referendum following pacification would be disastrous and would lead to partition of the area. The rebels have said they will boycott the French-sponsored elections in Algeria, and probably plan a campaign of terrorism to inhibit Moslem participation.

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ECONOMIC CONFERENCE ON THE BELGIAN CONGO

A Belgian-Congolese economic conference will open in Brussels on 25 April against a backdrop of growing alarm in Belgium over the Congo's economic future after it becomes independent on 30 June. The conference is thus likely to be much concerned with immediate financial problems, but Belgium still hopes that it will also settle such important questions as the Congo's future ties with the Common Market, the formation of a Belgo-Congolese Development Corporation, future relations between the Congolese and Belgian central banks, and various other financial and budgetary management problems.

The most immediate problem confronting the Belgians is the serious flight of capital from the Congo since the independence accord was reached. Capital outflow in 1959 exceeded the 1958 level by \$130,000,000, reflecting the persistent fear of disturbances and possible expropriation. The capital repatriation in January 1960 was \$20,000,000 above last year's monthly average. Although exchange controls have recently been initiated, the Congo central bank's reserves have been seriously depleted, and there are apparently insufficient funds to meet treasury requirements between now and 30 June.

The longer term problem, and probably the more important one, is the lack of financing for essential public investments. At a meeting with American Embassy officials in Brussels on 5 April, Congo Minister de Schrijver and his economic counselor estimated the 1960 requirement at \$120,000,000 to \$135,000,000. This sum is

over and above minor sources Brussels still hopes to tap and the \$54,000,000 contribution Belgium will make to the Congo budget this year.

Brussels says it has unsuccessfully sought Belgian-guaranteed loans for this purpose from various European countries, as well as the European Common Market's investment bank, and now sees no alternative to American aid. Without immediate and substantial foreign aid, Belgian officials predict there will be "economic and political turmoil," economic stagnation, and aggravation of the already serious unemployment problem, and a consequent loss of Belgian--and Western--prestige.

The Belgians seem to have been slow to appreciate the economic implications of the Congo's independence and are probably ill-prepared to cope with them. The \$1,000,000 technical assistance program Belgium intends to offer, for example, seems small. Also illustrative of overoptimism is the hope expressed by Belgian officials that the Congolese will agree to permit Belgian nationals to continue to handle the budget, the banking system, and the government controller's office.

Some Congolese appreciate the extent to which they are still dependent on Belgium, but they will be alert to any attempt by Brussels to retrieve at the economic conference what it gave up at the political talks in January. One powerful Congolese leader has indicated that in his view the conference should concentrate on such matters as the present financial crisis and Belgian budgetary assistance to the new state.

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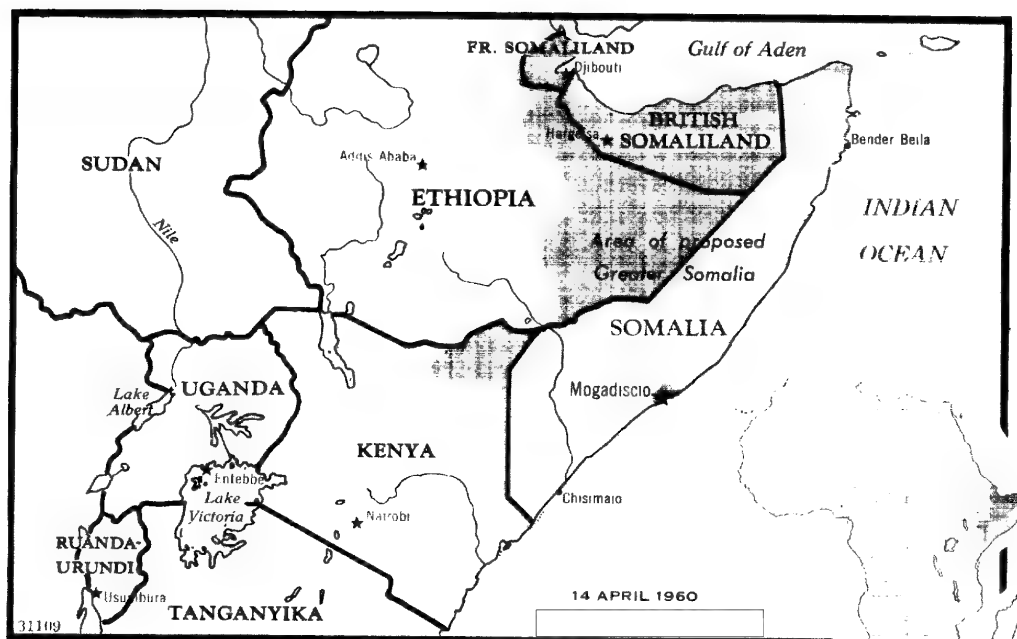
SOMALI AGITATION FOR INDEPENDENCE

Agitation by Somali nationalists for early independence and political unification has increased tension in the Horn of Africa, particularly between Ethiopia and the Somalilands. Local legislatures in the protectorate of British Somaliland and in the Italian-administered trust territory of Somalia recently passed resolutions directed toward unifying the two territories by 1 July, when the trust territory is to achieve independence.

To guide its protectorate toward independence within two or three years, London has reformed the territory-wide legislative council so that elected members are in the majority. Elections were held last February, and London appointed four Somalis to ministerial positions in the seven-member executive council. The nationalist lead-

ers, however, at the opening session of the legislature in Hargeisa, introduced a motion on 6 April calling for independence and unity with neighboring Somalia by 1 July.

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Protectorate nationalists, taking advantage of an apparent change in the position of the trust territory government in favor of Somali unity, have bypassed official channels in London and Rome and have arranged a meeting of representatives of the two Somali territories in Mogadiscio--Somalia's capital--to discuss a unification agreement.

Somalia's legislature, apparently anticipating the resolution made at Hargeisa, requested the Italian administrator to advise the UN of the "unanimous desire of all Somali people to be united under the same flag" and to permit them to "freely express" their "own wish to be united" in an early UN-conducted plebiscite. While

this action may indicate that Mogadiscio now intends to support actively a pro-union attitude, the Somalia Government probably continues to favor a loose association with the protectorate. Such an association would preserve the dominant position of the governing tribal group in Somalia.

Addis Ababa, concerned that the nomadic Somalis who predominate in Ethiopia's southeastern Ogaden Province might be attracted to an enlarged Somali state, has sought to improve its relations with and control over these nomads. In addition, Addis Ababa has claimed that Britain and Italy inspired the Hargeisa and Mogadiscio motions, accusing them of fomenting "neo-imperialism" in the Horn of Africa.

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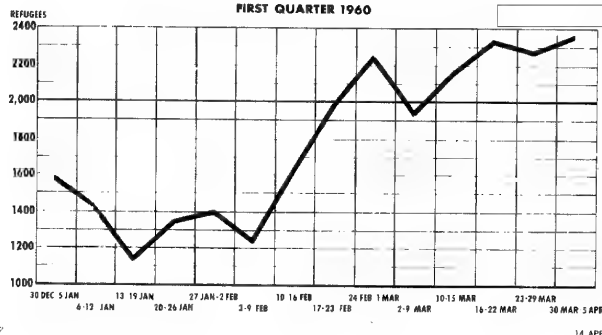
EAST GERMAN REFUGEE FLOW RISES SHARPLY

Walter Ulbricht's all-out campaign to convert East Germany rapidly into a "socialist" stronghold has sharply increased refugee flights to the West. The number was some 13,400 in March, compared with less than 10,000 per month in January and February. During the week ending 12 April, more than 2,391 refugees fled to West Berlin alone--598 more than during the comparable week in 1959. Of the March total, almost 11 percent were farmers--compared with a normal figure of about 5 percent; craftsmen, intellectuals, and "middle class" persons are also fleeing in greater numbers. The increased flow is

likely to continue in coming weeks.

The regime has announced that all but one of East Germany's 14 districts--Karl-Marx-Stadt--now have been fully collectivized, meaning that more than 90 percent of East Germany's agricultural land is now

**REFUGEES ESCAPING TO WEST BERLIN
FIRST QUARTER 1960**



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under direct supervision of the state. Most of the newly collectivized farms are still loosely organized, but the regime will probably attempt to consolidate control after the harvest. This in turn is likely to provoke further resistance and flights to the West.

The regime will continue pressure for complete collectivization in the remaining district in the hope of being able to announce, prior to the summit conference, that East Germany is fully collectivized. At the same time, great efforts have been made to halt the flights by tightening security precautions on the frontier and around Berlin.

Proceedings at the eighth SED central committee plenum, held from 30 March to 2 April, reveal that the regime is attempting to counter serious manpower shortages and low morale on farms by ordering thousands of youths to the

countryside. The State Planning Commission has ordered conversion of certain factories to manufacture farm machinery essential for the newly formed collectives. More funds are to be provided for collectives, which are usually costly operations. This reallocation of funds reportedly will be at the expense of badly needed housing and consumer goods for the general populace. Such measures suggest that the collectivization campaign went at a faster pace than originally planned.

The socialization campaign --called the "great leap forward"--is being extended to the "middle class." The economic importance of the small shopkeepers, who in August still accounted for approximately 25 percent of East Germany's retail trade, may be such that the regime will deal somewhat more cautiously with them than with independent peasants.

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CHOU EN-LAI'S TRIP THROUGH ASIA

Communist China's Premier Chou En-lai, accompanied by Foreign Minister Chen Yi and a party of 20, has left Peiping for a tour of South and Southeast Asia. His major effort will be directed toward attaining some agreement with Indian Prime Minister Nehru concerning the countries' boundary dispute.

Extension of his journey to include Nepal, Burma, and Cambodia is intended to dramatize Peiping's renewed emphasis on friendship with its neighbors and to repair some of the damage to Communist China's prestige resulting from the Sino-Indian border issue and Peiping's suppression of the Tibetan revolt.

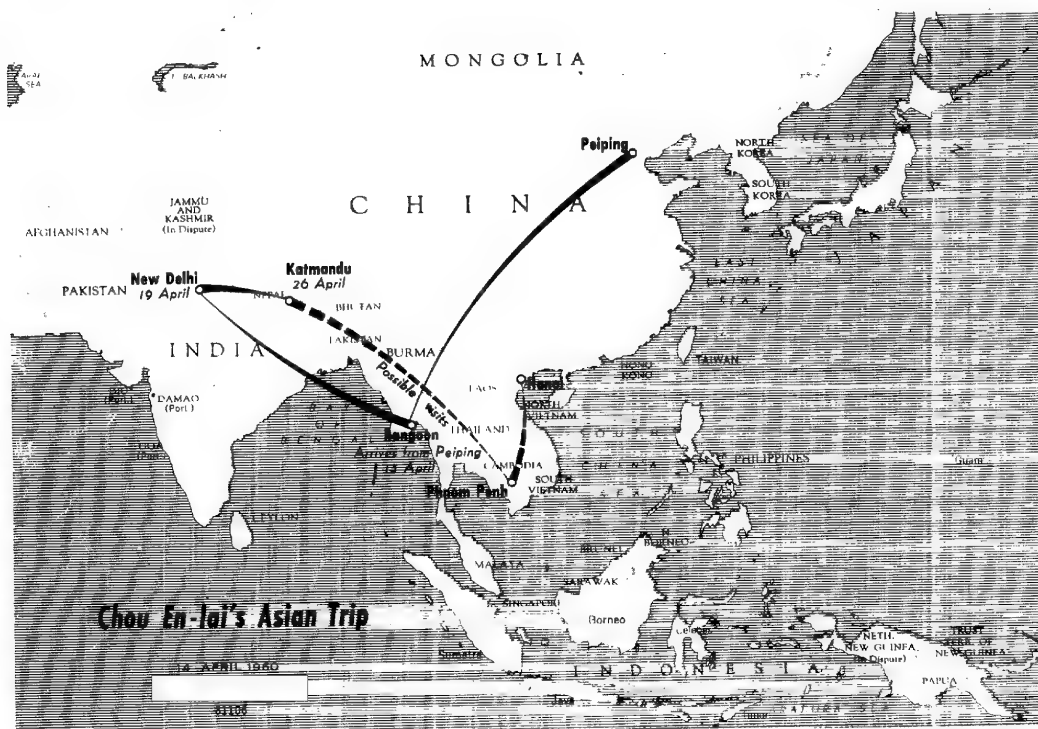
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Since Chou's 1956 trip through this same area, no top-level Chinese delegation has toured Asia. Peiping may feel that, in addition to demonstrating its professed allegiance to the "Bandung spirit," there is a need to follow up the recent high-level Soviet visits. The delegations from Moscow maintained a neutral attitude

For the past several months, the Chinese have used propaganda and diplomatic "leaks" to portray themselves as anxious for a quick and equitable settlement with India. This seems intended to provide Chou with a maneuverability denied Nehru, who must constantly reassure the Indian public that he is not appeasing Peiping.



toward China's disputes with India and Indonesia and gave Peiping virtually no support for its pose of "reasonableness."

In Rangoon, Chou presumably hopes to exchange ratifications of the Sino-Burmese boundary agreement and the treaty of friendship and nonaggression concluded in January. The Chinese will portray Chou's visit there as evidence of friendship and mutual accord on outstanding issues--a timely display intended to make it more difficult for Nehru to adopt an uncompromising position in his talks with Chou.

To take the initiative and set a tone of Chinese flexibility, Chou, although realizing that public pressure would probably prevent Nehru's early acceptance, may offer the outright exchange of disputed areas in Assam for those in Ladakh. Chou probably will seek to gain agreement in principle to the Chinese contentions that the border is not and never has been delimited and that the occupation of territory is a key point in determining final ownership.

Chou is expected to press for a mutual military withdrawal from present frontier positions

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but may, as a conciliatory gesture, offer to pull Chinese troops further back from Peiping's version of the Ladakh border than he has before. He is certain to push for a joint border commission to keep negotiations alive.

recent visit to China, probably will attempt to include a clause in a friendship treaty to prohibit new military alignments. This would be aimed directly at undercutting India's influence in Nepal, for Katmandu has a mutual defense understanding with New Delhi but no formal agreement as yet. Koirala, who signed border and economic aid agreements in Peiping, apparently is ready to conclude a routine friendship and nonaggression pact but probably will resist any clause barring Nepal from entering into military defense agreements with other countries.

Chou is scheduled to arrive in Cambodia in early May, but his trip may be postponed for a short time because of King Suramarit's death. In Phnom Penh, Chou will try to capitalize on Cambodia's strained relations with Thailand and South Vietnam.

In Nepal, Chou, who is repaying Prime Minister Koirala's

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PEIPING NATIONAL PEOPLE'S CONGRESS CLOSES

The annual meeting of Communist China's National People's Congress, which ended on 10 April, was highlighted by the announcement of a new drive for the formation of communes in cities.

Speeches during the latter days of the congress provide some details on the form of the new urban communes. They are to be organized on one of three basic patterns: around large-scale state enterprises such as factories or mines, around small "neighborhood" enterprises, or around government organizations and schools.

Urban communes in the Manchurian industrial city of Harbin were reported to have an average of nearly 160,000 members, while those in Shenyang (Mukden) average about 30,000 members. One speaker noted that 20,000,000 urban residents had already been organized into communes, largely in the provinces of Honan, Hopei, and Heilungchiang.

Both People's Daily and speakers at the congress have described the formation of urban communes as a step-by-step process. The amount of propaganda attention devoted to the movement, however, suggests

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that it will develop into a major, high-pressure campaign. The social and political implications of the urban commune program are likely to be of more immediate significance than the economic effects, and Peiping presumably hopes it will result in a higher degree of regimentation and control in the cities.

Premier Chou En-lai's speech at the closing session of the congress on international relations and foreign policy added nothing to Peiping's present lines. He gave only routine support to Soviet policies, and his attacks against the United States contrasted sharply with Moscow's relatively moderate tone. He recently told the Indian ambassador that once Sino-American issues were "settled," Soviet and Chinese attitudes would be "identical."

Chou had originally been scheduled to present a "government work report," but this was dropped from the congress' agenda just before the opening session. In the light of other indications that the opening may have been delayed for several days, this suggests that lines to be taken at the congress were not formulated in detail until the last minute.

Mao Tse-tung attended the opening and closing sessions of the congress, as did Vice Premier Chen Yun, whose inactivity for almost a year has given rise to speculation that he was out of favor. Chen, described by a Western correspondent as "lean and haggard," was listed in his usual place as senior vice premier.

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CHINA'S LONG-RANGE AGRICULTURAL PROGRAM

China's National People's Congress, which ended on 10 April, endorsed a long-range "Program for Agricultural Development (1956-67)" but called for efforts to complete it two to three years ahead of schedule. This program, announced in early 1956 and revised in the fall of 1957, is a loosely drawn outline of measures to improve agriculture. It lacks specific provisions for its realization, but is said nevertheless to have provided the "impetus" for many of the successes achieved in agriculture in the past few years.

In discussing the program before the congress, party agricultural spokesman Tan Chen-lin attempted to show that in the "leap forward" of the past two

years, certain objectives had already been surpassed and others realized to a large extent. He claimed that the yields called for by 1967 have already been achieved on one fourth of China's grain acreage and on more than 40 percent of total cotton acreage.

The country's hog population and average per capita farm income last year reached levels which the program had set for 1962. Some two thirds of the program's target for irrigated acreage has already been met, Tan said, but he cautioned that completion of a reservoir does not automatically confer irrigation benefits on nearby acreage --as Peiping's statisticians have sometimes implied.

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Good progress was also reported by Tan toward the program's goals of extending the area sown to improved seed strains, planting more high-yield crops (like corn), raising the multiple-cropping index, bringing new areas under cultivation, and initiating greater research in agronomy. Mechanization and modernization are proceeding more rapidly than had been envisaged in the original program.

Tan revealed, however, that the situation in agriculture is not completely optimistic. Grain yields set for 1967, one of the few specific targets set forth in the program, imply the production of 360,000,000-375,000,000 tons. This would mean an average annual increase of about 7 percent over the 1957 harvest--the last crop before the "leap forward." While this is a more conservative figure than the claimed increase of 21 percent per year between 1957-1959, it is still an unrealistic goal. The relative modesty of the 1967 goal, together with Tan's emphasis

on the "arduous" task ahead, suggests that even Peiping may regard some earlier "leap forward" claims as exaggerated.

Tan takes note of the vast changes which have taken place in the Chinese countryside since the program was first made public in early 1956. The regime has shifted rapidly from lower level cooperatives through collective farms to the present communes.

Tan intimates that future changes will be worked out within the commune framework. He says the promised move from the present system of ownership mainly at the production-brigade level to ownership mainly at the commune level will require several "conditions"--average income of commune members must reach 150-200 yuan (as against 85 yuan last year), "poor" brigades must reach the income levels of advanced ones, and mechanization must reach "certain proportions"--all of which indicate that complete rural "communization" will not be realized for some time to come.

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CHINESE COMMUNIST MILITARY ASSISTANCE TO INDONESIA

Communist China provided the Indonesian armed forces with about \$21,000,000 in arms and military equipment during late 1958 and early 1959. All this materiel except four small landing craft was delivered between September 1958 and May 1958. Approximately half the arms were supplied to the air force, and the remainder was about equally divided between the army and the navy.

Much of the materiel was of US origin--presumably captured in North Korea or from the Chinese Nationalists. Some Soviet- and Chinese Communist-produced arms were also included. The Indonesian Air Force, in addition to receiving MIG-17 jet fighters, also acquired obsolete twin-engine TU-2 light bombers and LA-11 fighters of World War II vintage. The navy procured several types of US-produced landing craft and one landing ship.

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Although an Indonesian military purchasing mission, on its way home from the Soviet Union, visited Communist China in July 1959 and presumably submitted additional arms requests to Peiping, apparently no contracts were concluded at that time. Subsequent arms talks, reportedly scheduled for August 1959, either were not held or were inconclusive. Shortly thereafter, the dispute over Djakarta's ban on alien traders led to a serious deterioration of Sino-Indonesian relations, which would seem to preclude any additional Chinese Communist military assistance for the time being.

The army's purchases consisted largely of small arms, ammunition, and communications equipment, mostly of US origin.

Chinese efforts during the past two years to get an economic aid program under way in Indonesia also apparently foundered during the dispute over Djakarta's ban on alien traders. A \$30,000,000 credit offered in mid-1959 for industrial development reportedly has been refused by Indonesia. This offer may be revived later, but it is unlikely that Peiping will renew its efforts to establish an aid program until Sino-Indonesian relations have improved. The only economic assistance thus far provided by Communist China consists of textile and rice deliveries in 1958-59 under a credit arrangement amounting to about \$11,200,000.

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POLITICAL MANEUVERING IN INDONESIA

Reports of maneuvering and plotting by politicians and military elements in Indonesia have continued unabated since President Sukarno's appointment of a controversial new Parliament on 27 March and his departure on 1 April for a two-month global tour. Some of these reports arise in part from efforts of the recently formed Democratic League, a coalition led by the large Moslem Masjumi party, to prevent the installation of the new Parliament in June.

The league's efforts thus far appear unsuccessful. The army, although lending quiet encouragement, is awaiting evidence of the organization's strength before making any decisive move to support it. The second largest Moslem party, the Nahdatul Ulama, is nearly split over the parliamentary issue, but appears more likely to support Sukarno than the league.

There are also rumors that the army, assisted by non-Communist political groups, will stage a coup. The army leadership, however, gives little indication that it plans to attempt a takeover during Sukarno's absence. The army's

attitude presumably is influenced by its appraisal of Sukarno's power position, lack of unity in the army itself, and the improbability that anti-Sukarno forces would retain their cohesion under stress.

Sukarno himself appears to have been influenced by the prolonged spate of rumors; at least some of them are believed to have been deliberately planted and stimulated by elements opposing the army and favoring the Communists. When he left Indonesia on 1 April, Sukarno stated publicly at the airport, "I hope that when I return I will merely have to resume the leadership of a government that will have been functioning without any interruption in the next two months."

Since Sukarno's departure, a presidential decree has been announced removing the leftist pro-Sukarno air force from the Department of Defense and providing a separate cabinet portfolio for the air force chief of staff. The effect will be a further reduction in the army's political power. Minor inroads on army power, apparently made largely at Sukarno's instigation, have been in progress since late 1959.

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IMPENDING ELECTIONS IN LAOS

The elections for Laos' 59-member National Assembly on 24 April will be of considerable importance in terms both of the quality and political affiliations of the non-Communist majority expected to gain office and of the impact of the voting on future Communist plans for Laos. Should candidates

of the Communist-front Neo Lao Hak Sat (NLHS) and allied groups do well, and should divisive tendencies among anti-Communist elements reappear, the Communists will probably make another attempt to play the parliamentary game in Laos. To the extent, however, that these Communist hopes are unfulfilled, increasing

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reliance may be placed on the underground Pathet Lao insurgent movement as the main means for gaining control of the country.

The government has been fairly successful in inducing the principal anti-Communist political groupings--former Premier Phoui's Rally of the Lao People (RLP) and the Committee for Defense of National Interests (CDNI)--to limit the number of rival anti-Communist candidates seeking election. Government-approved candidates will be running unopposed or opposed only by other RLP or CDNI candidates in 30 of the 59 electoral districts.

By means of a highly restrictive electoral ordinance and other administrative stratagems, the government was able to limit the number of candidates from the NLHS and the fellow-traveling Santiphab party to nine each. Sympathizers among the "independents" bring the total number of Communist and Communist-associated candidates to an estimated 25. There are indications that the government may take further steps to ensure that only a bare minimum of Communist candidates are elected.

The American Embassy in Vientiane believes that, with-

out rigging by the government, the NLHS and allied candidates could win from 5 to 15 seats. The embassy expects the RLP to win more seats than the CDNI-sponsored candidates, but feels the two groups may be so close in size as to render the investiture of a new premier difficult when the new assembly convenes on 10 May.

The Communists may foresee a real possibility of a split in the anti-Communist ranks in the new assembly, which would give the leftist bloc much greater scope for maneuver. This calculation is probably an important factor behind the Communists' seeming willingness to permit the elections to be held in relative peace.

Their propaganda has warned, however, that if the "American interventionists" and their "lackeys"--the CDNI--prevent NLHS and other "progressive" candidates from winning, the elections will be null and void in their view, and there will be a recrudescence of guerrilla warfare by the Pathet Lao. Late reports indicate the NLHS and the Santiphab may withdraw at least some of their candidates in protest against alleged government strong-arm tactics in connection with the elections.

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PAKISTANI CABINET CHANGES

The appointment on 11 April of Food Minister Lt. Gen. Azam Khan as governor of East Pakistan and the addition of the former governors of East and West Pakistan to the Ayub cabinet are the first changes in membership in the Pakistani cabinet since the army takeover in October 1958. Although

portfolios were reallocated within the cabinet in early January, Ayub until now has not changed its original personnel, apparently partly to maintain the appearance of stability lacking under previous regimes.

It is not yet clear whether Azam can retain his status as

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the number-two man in the Pakistani Government and as Ayub's designated successor. The new governor may view his assignment to a post 1,200 miles away from the central government and army headquarters, both of which are located in Rawalpindi, as a demotion, since it removes him from the center of power. There has been speculation, however, that Ayub has under consideration giving Azam a special title--"vice president" has been mentioned--to confirm him in his number-two position.

Azam's departure may encourage the other members to jockey for positions of greater influence, with Minister of Interior Sheikh taking a prominent part in the maneuvering. Sheikh has been frequently mentioned in rumors circulated by opponents of the regime as eager to increase his own power, even at the expense of Ayub. At the same time, the announced changes will probably lead regime opponents, particularly the ousted politicians and their followers, to claim that the Ayub government is unstable.

Azam has a reputation for getting things done, and his assignment may be intended to demonstrate that the central government views economic progress in East Pakistan as a priority objective. He will probably try to bring about early economic improvement, but, as a West Pakistani and an outsider, he may offend provincial sensitivities in his drive for greater efficiency and harder work. Many East Pakistanis will probably find cause for complaint in the appointment of a West Pakistani as governor and are unlikely to be mollified by the appointment of East Pakistan's former governor to the central cabinet.

President Ayub has appointed the Khan of Kalabagh, a prominent Pushtoon who has been serving as chairman of the Pakistan Industrial Development Corporation, as the new governor of West Pakistan. He probably hopes this move will strengthen Pakistan's position in its propaganda war with Afghanistan over the Pushtoonistan dispute.

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CEYLON'S ECONOMIC DIFFICULTIES

Prospects for any early improvement in Ceylon's deteriorating economic situation have been dimmed by the failure of any party to win a majority in the national elections in March. The island's economic decline under Prime Minister Bandaranaike during the last three and one half years was accelerated in the series of political crises which began in mid-1959 and culminated in the dissolution of Parliament last December. The tenuous backing of Dudley

Senanayake's new minority government and the probability that instability will continue, at least until new elections can be held, make it appear likely that the economic decline will continue throughout 1960.

Chief among Ceylon's economic ills is a record trade deficit of \$52,710,000 during 1959. Before 1957, there was usually an annual surplus. The increased volume and higher costs of imported consumer goods

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were primarily responsible for the deficit, as prices for major exports were favorable and total export earnings for 1959 increased over 1958.

The balance-of-payments position has deteriorated considerably since 1958, and the deficit last year was \$47,250,000. External assets fell during 1959 from \$185,000,000 to \$145,000,000, enough to pay for about four months of imports. This small reserve capacity points up the island's vulnerability to flood, drought, or unfavorable shifts in external trade patterns.

The government's cash operating deficit of \$86,730,000 for the past fiscal year, October 1958-September 1959, is an increase of more than 100 percent over the 1957 deficit. The high rate of government expenditures has contributed to expanding the money supply, which rose sharply during the last quarter of 1959, keeping prices high and maintaining the demand for imports.

The difficulties of financing the deficit and lower-

ing the cost of living have increased considerably. The total of treasury bills outstanding reached its legal limit in mid-January, and the government recently announced that it would cost \$18,000,000 to reduce the subsidized price of rice, which other major parties promised during the election campaign.

The government has a few favorable factors on its side. Production of major export crops was satisfactory in 1959, Colombo has contracted for sufficient food imports to cover 1960 requirements, and the absence of disruptive strikes since mid-1959 has resulted in improved operations at Colombo port, Ceylon's major gateway to the outside world.

Such advantages are heavily outweighed by adverse political factors, however. Even if the Senanayake government survives its first parliamentary vote on 22 April, its minority status will severely curtail its power to implement proposed economic reforms.

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US INVESTMENT UNDER POLITICAL ATTACK IN PERU

American investments in Peru, which have risen sharply in recent years because of favorable Peruvian laws and relatively stable political and economic conditions, are being attacked with increasing frequency in the Peruvian Congress and press. Peru is still a model in South America of successful application of conservative financial principles. The administration of conserva-

tive President Manuel Prado appears too weak to control individual leaders who exploit nationalist sentiment for their own advantage. As a consequence, the climate for foreign investment is deteriorating and may in time be reflected in worsening US-Peruvian relations.

Within the last nine months, congressional and press criticism directed against two US

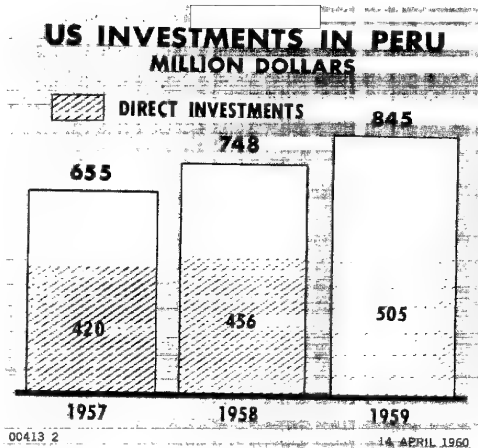
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oil companies has been unusually bitter. The International Petroleum Company, a Standard Oil subsidiary and Peru's largest producer, faces possible annulment of rights to its oil properties, a threat which rightist and Communist figures have exploited politically. A new financial group, backed by a politically powerful cousin of President Prado, is apparently using the possibility of nationalist agitation to break into International Petroleum's distribution monopoly. Another US petroleum company was denounced in Congress and the press late last year for "violating" Peru's national sovereignty--a charge also frequently levied against Standard's subsidiary.

The US-owned copper company at Toquepala, whose newly inaugurated mine largely accounts for Peru's expected 27-percent increase in export revenues for 1960, is strongly criticized by the government-linked APRA, Peru's only major party, because it discourages unionization. A further cause of US-Peruvian friction is a projected shipping decree now being urged by the navy minister--who is said to have a local



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shipping interest--which would require 50 percent of all commercial cargoes to be carried in Peruvian vessels.

A serious new anti-American outburst is threatened over proposed US congressional consideration of increased tariffs on lead and zinc products which in 1958 brought in 12 percent of Peru's export proceeds. Similar discussions in 1957 and 1958 caused anti-US attacks in Peru's Senate which were described as the most bitter in 30 years.

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EUROPE'S TRADE CONFLICT

Although conciliatory statements from Bonn and De Gaulle's recent visit to London have somewhat relaxed the tension, no generally acceptable solution is in sight for the basic issues dividing Europe's trade blocs--the European Economic Community (EEC) and the European Free Trade Association (EFTA). A late March meeting, the first all-European trade talks in more than a year, produced merely another investigating committee--whose findings

are likely to be used by each side to justify its own position.

Further talks are not scheduled until late May, by which time the issue may have been decided--if, as still seems likely, the EEC's governing council decides on 10 May to accept EEC President Hallstein's plan to speed up the establishment of the Common Market.

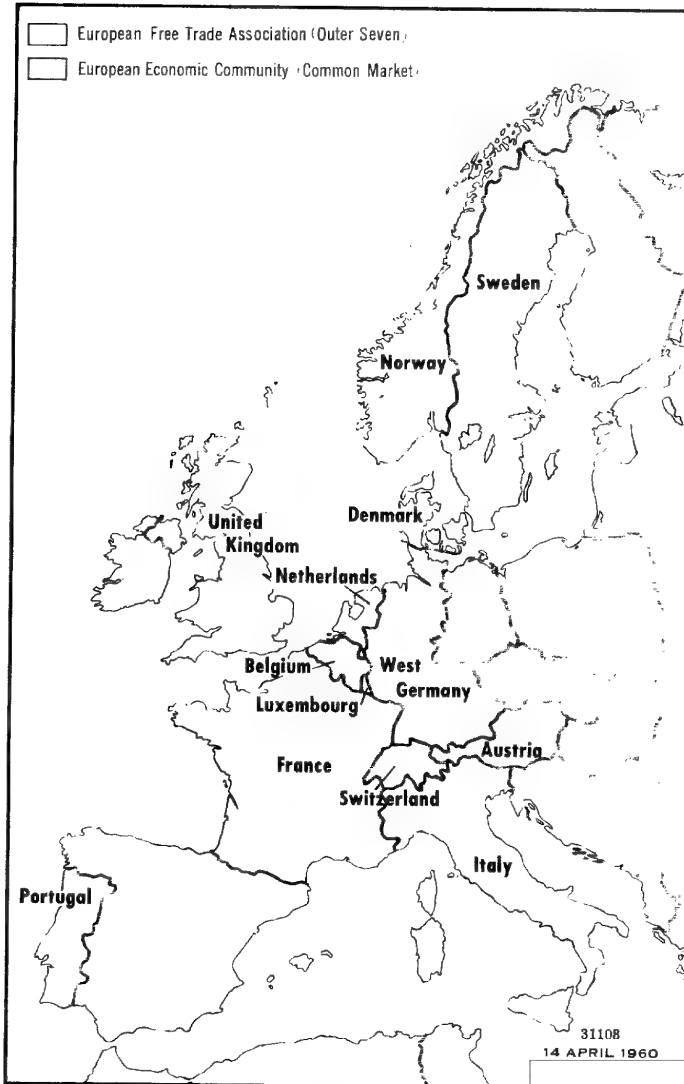
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Much of the recent rancor--as evidenced by the uproar over Prime Minister Macmillan's alleged attack on the EEC during his Washington visit--is attributable to the fuller realization of the decisive importance of the Hallstein plan. The EFTA was set up in the belief that, by matching the internal tariff reductions of the EEC and persuading it to reciprocate, no trade preferences--within Europe--would arise. This effort to achieve a European free trading area--by a round-about way--could succeed, however, only if the EEC agreed to postpone indefinitely the effective implementation of its common external tariff and thereby to forego the objective of creating a full customs union.

In the eyes of Hallstein and his colleagues, such a sacrifice of basic principle would be fatal to the Common Market, and they have offered their speed-up plan in part to precipitate a decision while economic and political circumstances are still favorable. However, even an initial step by the EEC toward application of its common tariffs would be a major tactical defeat for the EFTA, and might result in equally serious long-term consequences. Should the possibility of an "easy" association with the EEC seem to be foreclosed, some of the



"reluctant" members of the EFTA whose trading interests are primarily with the EEC might feel they have no alternative but direct affiliation with the Common Market.

Many in the EEC are obviously still sensitive to the charge they are opening up a permanent rift in Europe. Nevertheless, since it was first announced on 3 March, the Hallstein thesis has attracted increased support. The EEC's

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European Parliamentary Assembly, which represents a rough cross-section of Continental parliamentary opinion, almost unanimously endorsed the plan on 31 March.

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ITALY AGAIN SEEKS CENTER-LEFT GOVERNMENT

President Gronchi's invitation to Amintore Fanfani to form a cabinet reveals Gronchi's determination to push for a center-left government as the solution to the long-standing dilemma of the Christian Democrats (CD). Such a move to the left risks alienating conservative ecclesiastical and economic interests within or allied with the party. Fernando Tambroni's effort to form an all-CD cabinet collapsed because the party's left wing, mindful of the general leftward trend of the electorate, refused to accept rightist support.

Although an attempt to form a center-left government under Antonio Segni during the early stages of the crisis was blocked by conservative forces, there is a good chance that the second attempt under Fanfani will succeed. The revolt within the Christian Democratic party against participation in a government dependent on the votes of the neo-Fascists, as would have been the case with the Tambroni government, provided

a rough gauge of the strength of anti-rightist feeling within the party.

The present crisis has lasted much longer than any



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previous postwar Italian crisis, and there have been rumors of a possible coup attempt followed by a general strike initiated by the left. Fear that Italy's international status may be damaged by the absence of a

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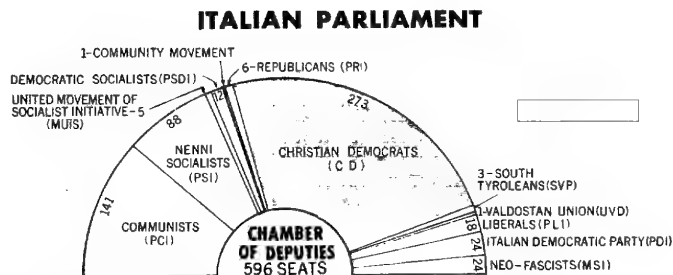
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government with a clear mandate is one of the principal spurs to a solution, however provisional. Regardless of the crisis, Antonio Segni, foreign minister by virtue of his inclusion in the Tambroni cabinet, will take part in the Washington pre-summit conference.

sis in the first place by refusing to go on supporting the Segni government without being represented in the cabinet--presumably would demand inclusion in a coalition government. This is a conceivable solution but not a likely one in the face of opposition from the Christian Democratic left.

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In the event Fanfani does not obtain parliamentary approval, Gronchi will probably favor installing a strictly caretaker one-party government rather than experimenting with a center-right formula. The Liberals--who precipitated the cri-



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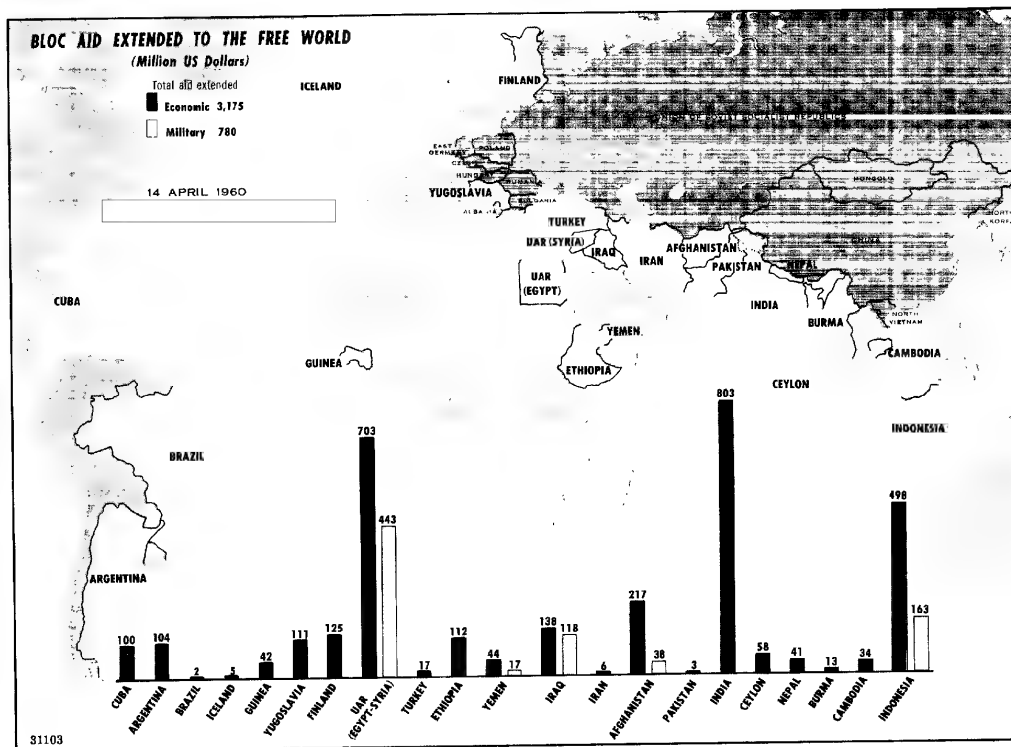
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PART III**PATTERNS AND PERSPECTIVES****STATUS OF THE SINO-SOVIET BLOC'S ECONOMIC DRIVE**

The Sino-Soviet bloc last year added \$1 billion to the total amount of aid it has extended to free world countries. Moscow hopes by this program to foster a permanently expanded relationship with underdeveloped countries through a sustained growth in trade. However, the bilateral trading practices of the bloc, the priorities of intrabloc trade,

consisted largely of military assistance, now is principally oriented toward providing credits for economic development. Almost no new military aid was included in the \$1.04 billion in bloc credits and grants extended in 1959, and the more than \$550,000,000 extended during the first quarter of 1960 was entirely for economic purposes.



Moscow's blatantly political motivation, and the Soviet Union's greater need for Western industrial products are serious limitations to such growth.

The Aid Program

The bloc's foreign aid program, which originally

Moscow has extended 75 percent of the \$3.9 billion in aid provided thus far by the bloc and in 1959 and early 1960 accounted for 90 percent of bloc aid. The role of the European satellites, however, has not diminished. The USSR frequently turns to Eastern Europe to complete specific projects called

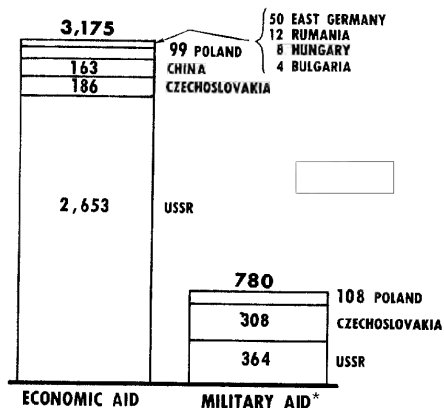
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SINO-SOVIET BLOC AID TO FREE WORLD

MILLION DOLLARS



* AS A RESULT OF DISCOUNTS AND DOWN PAYMENTS, BLOC DELIVERIES OF MILITARY AID UNDER THIS PROGRAM NOW TOTAL \$1.2 BILLION

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for under the Soviet aid agreements, and a substantial share of other such projects is subcontracted to Eastern Europe. Peiping's program in the free world--totaling \$162,000,000--does not appear to be integrated with the rest of the bloc.

About one third of all credits extended under the bloc aid program have been utilized. Most of the \$780,000,000 in military aid agreements has been implemented, and economic assistance deliveries amount to about \$550,000,000. Construction of India's Bhilai steel mill and a variety of projects and other economic assistance in Yugoslavia and Afghanistan account for most of the economic aid thus far delivered. The relatively slow pace with which bloc economic credits have been utilized has resulted from a lack of domestic funds to meet local costs of construction, poor planning by local officials, and in some cases the unavailability on short notice of particular bloc goods.

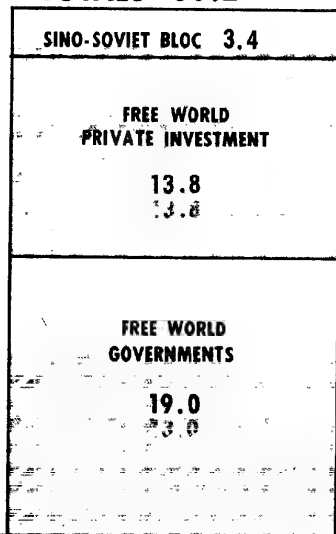
The operation of the program has gone far toward eliminating the optimism initially engendered in recipient countries by bloc aid agreements. The UAR,

which recently accepted more Soviet aid and is renegotiating the Soviet-Syrian agreement, at the same time is critical of some lags in Soviet deliveries and the unsuitability of certain equipment provided. The economic stagnation in Iraq has led Baghdad to seek new Western assistance and to cast aspersions on the Soviet program by dismissing the pro-Communist economic planning chief who negotiated the aid agreement with Moscow. Iraq, like other underdeveloped countries, mistakenly expected Soviet aid to have a more immediate economic impact but is expected to continue to seek such assistance.

The early psychological impact--favorable both to Moscow and recipient governments--has been out of proportion to the size of the aid and is gradually being reduced as aid recipients find the bloc suppliers as realistic and hardheaded as

**FOREIGN ASSISTANCE TO
UNDERDEVELOPED COUNTRIES
1954-1959**

BILLION DOLLARS

☒ EXTENDED ☐ DELIVERED
TOTALS 36.2

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their Western counterparts. Nevertheless, bloc assistance is still welcome, and many officials of underdeveloped countries which need more aid than can be obtained from Western sources continue to see advantages of doing business with the bloc. They cite the low interest charges, the provisions for repayment in surplus commodities rather than cash, and the ease of negotiating credit agreements.

The superiority of the bloc program in some respects, however, is largely ephemeral. While bloc interest rates are usually well below those prevailing in the West, the largest part of Western aid to underdeveloped countries has been in the form of outright grants. Less than 5 percent of bloc aid has been in this form. The bloc, on the other hand, has real advantages in its lack of a history of colonialism and in its willingness to accept goods rather than foreign exchange in repayment.

The bloc also profits by its ability to seize an exploitable situation, offer aid immediately, construct a few projects with favorable propaganda impact, and conclude a simple document regulating the credit extended. Bloc flexibility frequently does not extend beyond this point. Because of the planned nature of bloc economies, contracts once concluded are rigid, and subsequent alteration of projects is virtually impossible.

The bloc program will, however, continue to be acceptable in the underdeveloped countries, and bloc countries' fulfillment of their credit agreements--which for the most part has been satisfactory--probably will make underdeveloped countries increasingly willing to seek aid from them. The bloc, chiefly the USSR, will be able to continue this program at least at the 1958-59 level of about \$1 billion annually, and an expansion of this

rate is possible. Repayments of existing credits, which will reach a peak in the mid-1960s, presumably will enable the bloc to expand the program without further increase in the burden of foreign aid. These repayments will tend to sustain trade with the underdeveloped areas.

Technical Aid and Training

About 5,000 bloc economic technicians are helping to fill the need for qualified technical personnel in the underdeveloped countries. Nearly half the specialists are engaged in planning and supervising construction projects, and the remainder are employed in geological surveys and prospecting or are construction personnel working on public utilities.

For the most part, bloc technicians enjoy a good reputation in the underdeveloped countries. They have refrained from political activities. The most frequent complaint seems to be that they keep too much to themselves. This stems in part from the language barrier.

Neither the USSR nor the host countries publicize the presence of the 1,500 bloc military specialists abroad--more than half of whom are located in the UAR. They are engaged in training and equipment maintenance and, at least in Afghanistan, perform some staff functions as well. Few complaints have been registered about the qualifications of bloc military specialists.

Less successful is the training and advanced education within the bloc for workers and students from the underdeveloped countries. Innate distrust of Communism and fear that their citizens may be subverted have made governments reluctant to foster this program. Since 1955, 3,500 military personnel--about half from the UAR--and nearly 2,000 technical trainees--about half of them Indian steelworkers--have received instruction in the bloc; just over 1,800 students

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--80 percent from the Middle East--have been sent to bloc educational institutions.

The Trade Program

The bloc program of bartering machinery, equipment,

with the bloc. Bloc trade with the entire free world, however, has risen only from 2 percent of total free world trade in 1954 to 3.5 percent last year.

The bloc, especially the USSR, formerly sought to expand trade with underdeveloped countries at a rapid pace, but these efforts have been minimized by the paramount priority of intrabloc trade and will be increasingly hindered by the restrictions of bilateral trade. Trade presumably will continue to expand, but except in special cases and for limited periods of time it is expected to remain relatively insignificant.

SINO-SOVIET BLOC TRADE WITH THE FREE WORLD
MILLION DOLLARS

SECRET	FREE WORLD UNDERDEVELOPED AREAS		FREE WORLD INDUSTRIAL COUNTRIES		TOTAL
	BLOC EXPORTS	BLOC IMPORTS	BLOC EXPORTS	BLOC IMPORTS	
1954	402	468	1408	1283	3561
1956	769	697	2126	1824	5416
1958	1076	1044	2326	2331	6777
1959 JAN-JUNE	482	551	1152	1067	3252

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and industrial raw materials for surplus agricultural products has established trade ties with the underdeveloped countries. While these exchanges are expected to increase, they are not likely to establish the bloc as a major influence in international commerce in the near future. Despite the expansion of its trade in the past few years, the USSR is still only a minor force in world trade; most of its trade is still with other Communist states. Furthermore, two thirds of the USSR's free world trade is with industrial countries whose economic and political affiliations are relatively well established.

On occasion, trade in certain commodities such as tin, oil, rubber, and sugar--despite statistical insignificance--has had important effects in free world markets. Moreover, bloc trade in a few cases now accounts for an important share of the total trade of some non-bloc countries. The UAR, Afghanistan, Iceland, Yugoslavia, Turkey, Finland, Uruguay, Austria and Guinea carry on from 10 to 33 percent of their trade

Bilateral trade now is more frequently resisted by underdeveloped countries, where the practice has only temporarily corrected trade problems resulting from surpluses. Burma discovered in 1957 that its rice barter deals with the bloc

**COMMODITY COMPOSITION OF
BLOC-FREE WORLD TRADE**

	BLOC IMPORTS	BLOC EXPORTS
Crude raw materials	33	17
Manufactured goods	30	24
Machinery and Transport Equipment	15	8
Foodstuffs	13	24
Chemicals	8	6
Fuels	-	18
Miscellaneous	1	3
	100%	100%

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prevented it from fulfilling cash orders from traditional customers. This and other difficulties inherent in the direct exchange of commodities were so great that the bloc's portion of Burma's trade fell from 16 percent in 1956 to 7 percent in 1958.

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More recently, Indonesia has refused to commit itself to barter agreements involving rubber. Argentina, Indonesia, and Burma are terminating bilateral trade agreements with bloc countries. The Sudan is not interested in maintaining last year's level of cotton exports in exchange for Soviet goods. Some underdeveloped countries also have found themselves in a creditor position as they ship surplus agricultural commodities and learn that desired imports are not available in the bloc.

The growth of multilateral trade involving the bloc is not likely. Such trade would loosen bloc control over its imports and exports, which are regulated to fulfill planned commitments primarily within the bloc. Moreover, the underdeveloped countries probably would look to the bloc more as a market than as a source of goods--the result of which would be to drain off bloc holdings of foreign exchange for raw materials and agricultural products at a time when the bloc needs such financing for the large imports of advanced free world machinery it seeks.

On the other hand, there is a more natural relationship in Soviet trade with the industrialized countries. As Moscow frequently states, the important economic aspect of its trade drive now is to procure Western equipment and technology to improve its productive capability, particularly in the chemical field. Soviet demand for such imports--which was beginning to assume major

proportions in late 1959--is so great that it has spurred exports to earn foreign exchange to support these purchases.

For the past two years Moscow has actively sought credits from Western suppliers to finance such imports. Governments of free world industrial countries already have indicated that a minimum of \$250,000,000 is available as a guarantee for equipment delivered on credit to the USSR alone. Recent criticism by members of the Soviet Academy of Sciences about the lack of progress in the petrochemical industries suggests that Moscow will continue its efforts to exploit advanced Western technology through imports.

The satellites' success in establishing fairly promising trade ties in the underdeveloped countries results largely from the valid economic basis for such trade, as opposed to the USSR's attempts, which often appear contrived--even to the underdeveloped countries involved.

Czechoslovakia and Poland are seeking to expand markets for growing industrial output as well as sources of raw materials and agricultural products. The same is frequently true of East Germany, although in its search for diplomatic recognition East Germany has participated more in propagandistic activity than other satellites. The satellites continue to account for 50 percent of the Sino-Soviet bloc's trade with the underdeveloped countries. (Prepared by ORR)

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ARAB POLITICS AND A PALESTINE "ENTITY"

Although the Arab states usually speak in unison about the "crimes" of Israel and its "creators"--the Western powers--they are frequently in discord on other facets of the Palestine problem. More than a million Palestinian Arab refugees from what is now Israel are pawns in their disputes.

Some 604,000 of them still reside in Jordan in what was formerly Palestinian territory on the West Bank of the Jordan River; 252,000 are in the Gaza strip, the other remaining Arab portion of Palestine; 113,000 live in the Syrian region of the UAR; and 135,000 are in Lebanon. With the exception of Jordan, their host states generally refuse to absorb the refugees, ostensibly fearing that the Palestinians' claims against Israel might be prejudiced, but also to keep the Palestine issue before the eyes of the world. The UN, through its Relief and Works Agency for Palestine Refugees (UNRWA), supports the refugees.

Leadership of the Palestinians' cause--restoration of Arab "rights" to live and regain property in Palestine--now is contested by UAR President Nasir, Iraqi Premier Qasim, and Jordan's King Husayn. This rivalry has recently focused on the question of a Palestine "entity" or state which in theory would embrace the remaining Arab territories of Palestine and unite all Palestinian Arabs for an all-out campaign against Israel. These proposals are important as propaganda for Qasim and Nasir, but for Jordan, which opposes them, they threaten the very existence of the state. Jordan includes more than 2,200 square miles of former Palestinian territory, and two thirds of its population is Palestinian.

On 3 April, the Arab League political affairs committee failed to agree--as had the Arab League Council a few weeks earlier--on the UAR's proposals to create a Palestinian "national entity" and army. Further discussion of the problem was deferred until a special session of the Arab League Council at the foreign ministers' level scheduled for 30 April.

The deadlock involved only the UAR and Jordan, inasmuch as Iraq boycotted both the council and the political affairs committee meetings because they were held in Cairo. The Iraqis have said they will not attend the foreign ministers' meeting either, unless it takes place outside the UAR. Whether Iraq attends will probably have little effect on the already dubious prospects for a settlement of the dispute.

1947 Partition

Although the partition of Palestine in 1947 by the United Nations was intended to facilitate the formation of a new Arab state, as well as a Jewish homeland, King Husayn's grandfather, King Abdullah, sought to incorporate the Arab sectors into his Kingdom of Transjordan. Egypt and Saudi Arabia refused to acquiesce in this and countered by proclaiming a phantom "Government of All-Palestine" under the notorious Grand Mufti of Jerusalem, Hajj Amin al Husayni.

Nevertheless, Abdullah proceeded in 1950 to annex the so-called West Bank area of the Jordan River adjacent to his territory and to change the name of his kingdom to Jordan. Egypt occupied the "Gaza strip" portion of Arab Palestine adjoining its eastern frontier. The Mufti's continued agitation on behalf of his "government" from outside Palestine has had little effect.

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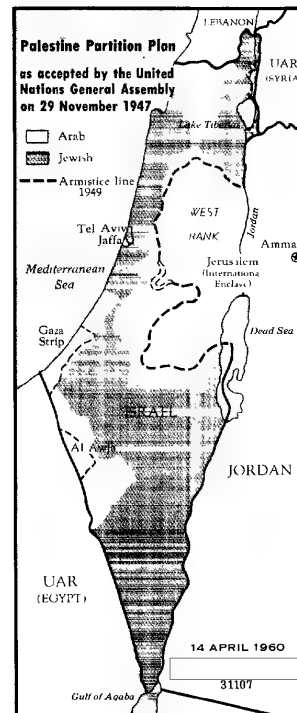
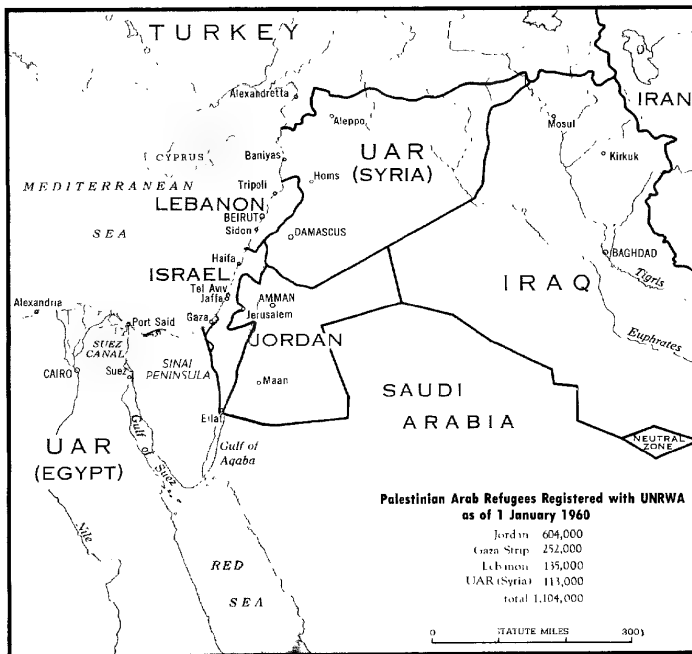
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Recent Developments

The disagreement among the Arabs regarding Arab Palestine was more or less quiescent until 1958, when the UAR, at an Arab League meeting in April, called for the formation of a "Palestine army." On 16 May 1958, the Gaza Legislative Council adopted two resolutions: one called for the establishment of a Palestine Liberation Fund; the other proclaimed the establishment of the Arab National Union with the objects of recovering "usurped Palestine," establishing "complete Arab unity," and organizing a demo-

the West Bank and that Palestinians under its jurisdiction already have Jordanian citizenship and serve in Jordan's army. The league was unable to settle the differences. Jordan's Prime Minister Majalli claims the league refused to discuss a Jordanian plan for solution of the over-all Palestine problem.

Qasim then seized on the Palestine state issue as a propaganda weapon to counter UAR



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cratic, socialist, and cooperative society, to include "all of Gaza, the West Bank. . .and the other Arab countries."

Nasir, possibly to advance his leadership of pan-Arab nationalism in the face of Qasim's rivalry, again proposed the formation of a Palestine government and army at the Arab League meeting in Casablanca in September 1959. Jordan opposed the plan on the grounds that it infringed on Jordanian sovereignty over

and Jordanian plots against his regime. In a series of speeches in December 1959, he proclaimed his own championship of the Palestinian cause and branded the UAR and Jordan as partners of Israel in "occupying" Palestine. He has since also announced unilateral plans to organize and train an "army" of Palestinians, presumably financed by the fund he has established for a Palestine republic. Qasim has expressed the hope that this fund, which

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has been enriched by contributions from Iraqi workers and industries, eventually will total \$5,600,000. On 5 April he said the Palestinian situation had reached a stage requiring "violent action."

These statements cost Qasim little, for Iraq is remote from Israel and only about 5,000 Palestinian refugees live within its borders. Such agitation is nevertheless troublesome to the UAR and Jordan, which harbor many more refugees and have common frontiers with the Israelis.

Nasir has responded vigorously to Qasim's attacks. He re-introduced his Palestine proposals at the Arab League Council meeting on 8 February, despite the certainty of continued Jordanian opposition. In January 1960 he set up the Palestine National Union in Gaza and expanded it to Syria with the aim of expanding it into an organization of all Palestinians. An army of Palestinians reportedly is also being organized in the UAR. In speeches in Syria during the Israeli-Syrian border crisis in February, Nasir challenged Qasim to demonstrate his sincerity by sending troops to the Israeli border and accused Jordan of having withdrawn its troops from the Jordanian frontier near the scene of the clashes in order to avoid involvement in the fighting.

Problem in Jordan

Jordan has indicated it will not engage in any further discussion of the entity "innovation" at any level whatever. Husayn, reacting to the Nasir-Qasim maneuvers, has shown increased concern about the West Bank. He has visited its cities more often than previously in an effort to generate support for his regime and has arranged to hold meetings of the Jordanian assembly in Jerusalem.

This violates, as does the presence of the Israeli Government in Jerusalem, a UN resolution favoring internationalization of the city and its environs--the Holy Places.

Husayn implicitly attacked Nasir and Qasim on 1 March for their statements about Palestine, arousing Nasir in particular to renewed outbursts against the King. Husayn announced on 13 March that he would accept the results of a plebiscite among his Palestinian subjects on the question of whether or not they wish to become separated from Jordan. He hopes this move will undercut the potentially subversive proposals of Nasir and Qasim, whom he suspects of wanting to bring down his regime.

Husayn has insisted the offer is not a mere propaganda gesture and claims he will accept the result whatever it may be. However, he has provided himself with a possible excuse for not fulfilling his offer by making a plebiscite conditional on the desires of Palestinians to have one. The King could cite the numerous expressions of support he has received since the announcement as "evidence" that a vote is not wanted, although he has said he will accept the determination of "neutral members" of the league--i.e., Lebanon, Yemen, Libya, Sudan, Tunisia, and Morocco--on the question.

The relatively urban and Westernized Palestinians of the West Bank are not amalgamating easily with the more isolated and conservative Jordanians of the East Bank. Many of these Westernized Palestinians believe, as do some Western diplomats in Jordan, that the majority of voters in a plebiscite would opt for separation from the Amman government and for association with the UAR. Some Palestinian opponents of Husayn's regime are even said to oppose

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either independence or association with the UAR because the West Bank would be left exposed to possible occupation by Israel. The Israelis, extremely sensitive to developments in the West Bank, have indicated that UAR control there would "necessitate" its occupation by Israel as a defensive measure.

Neither a West Bank plebiscite nor the special session

of the Arab League foreign ministers scheduled for 30 April is likely to resolve the Palestine controversy. As long as Nasir, Qasim, and Husayn remain heads of their respective states, the dispute probably will endure as part of their rivalry for pan-Arab leadership. Under these conditions, Arab unity will remain a long-range dream, and divisiveness will continue to weaken the effectiveness of Arab opposition to Israel.

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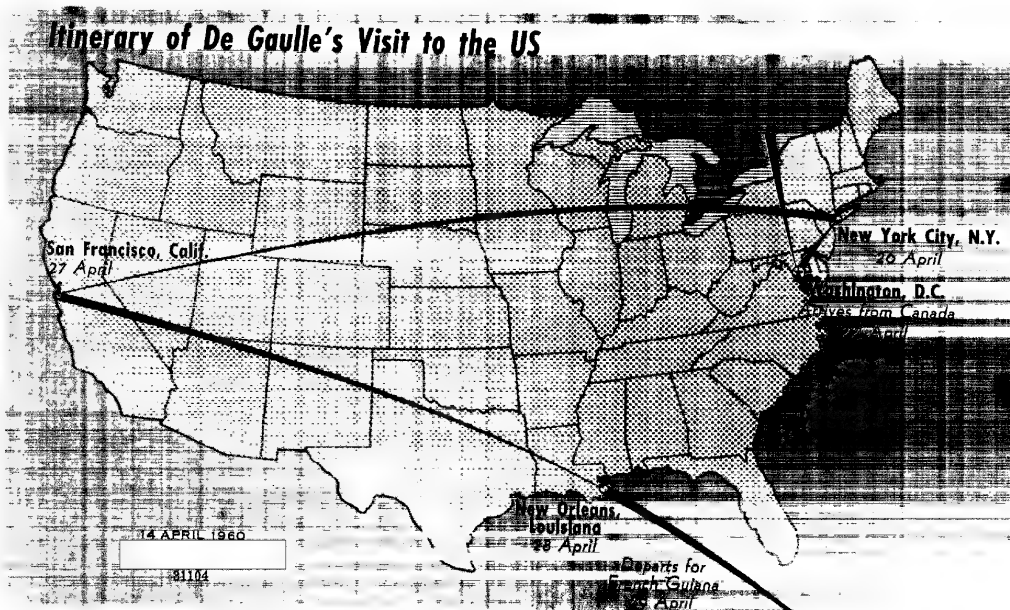
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DE GAULLE'S VISIT TO THE UNITED STATES

The timing of De Gaulle's acceptance of the long-standing invitation to visit the United States was probably determined by his desire to sharpen on the eve of the summit conference the image of France as a great power. In his talks in Washington from 22 to 25 April, De Gaulle will probably seek to subordinate specifically French-American issues to a discussion of world problems and, as the most recent Western statesman to have held discussions with

Khrushchev, to expound his proposals for dealing with the Soviet bloc. He can be expected to continue to press for further implementation of Western tripartite global discussions and for extension of NATO responsibilities to Africa, and to probe US attitudes on the development of independent European defense capabilities.

De Gaulle delayed accepting President Eisenhower's invitation for almost two years, largely



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because he was preoccupied with Algeria and with the domestic problems consequent to the overthrow of the Fourth Republic in May 1958. He now probably believes that France's nuclear achievements, the popular support he continues to command at home, and his success in inducing Khrushchev to visit France have sufficiently bolstered France's international position to give weight to French views, despite the stalemate on Algeria.

Personal Diplomacy

On his visit to the United States, shortly after his talks with Khrushchev, De Gaulle will probably be anxious to compare notes and expound his estimate of the Soviet leader's intentions, and to suggest tactics for the summit meeting.

The talks with Khrushchev have apparently not altered De Gaulle's opinion that the Soviet Union is motivated primarily by nationalist drives or that Communism is a passing phenomenon. He has believed for some time that the Soviet Union is under domestic pressures for higher living standards, and that the external pressures from an aggressively expanding China will eventually oblige Moscow to cooperate with the West. Khrushchev probably sought to encourage De Gaulle in the view that cooperation between "white men" is the only reasonable eventuality.

De Gaulle has long insisted on a firm Western position toward the USSR on immediate problems. His hope for a long-range East-West reconciliation may have led him, however, to read into Khrushchev's noncommittal reaction some positive endorsement of French proposals for easing East-West tensions: a joint East-West economic aid program to less-developed countries, a noninterference agreement, and an agreement to control

arms shipments to neutral areas.

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In addition to such summit topics as disarmament, Germany, and East-West relations--on which French and American views are in general agreement--De Gaulle in Washington will probably want particularly to discuss Africa and Communist China, which he regards as especially troublesome world problems. He apparently believes the Peiping regime is the greatest danger to world peace, and he feels some means must be found to curb the Chinese. He rejected, however, Prime Minister Macmillan's recent suggestion that Peiping be admitted to the UN. De Gaulle apparently hopes that Moscow-Peiping differences can be exploited to the advantage of the West, and he may spell out some suggestions as a result of his attempts to raise the China problem with Khrushchev.

De Gaulle is particularly concerned over increased Chinese Communist interest in Africa. He believes that retention of a dominant Western influence in Africa is necessary for the survival of Europe. This is why he insists that joint aid, noninterference, and an arms sales ban be discussed at the summit level. He may press for tripartite action to counter Communist expansion by extending Western defense responsibilities in Africa, perhaps combined with a tripartite economic aid program.

Differences with US

De Gaulle certainly has little hope of obtaining US support for the retention of French bases in Morocco and Tunisia, but he can nevertheless be expected to continue to seek some

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way to reduce pressures for France's withdrawal from Africa and some means of indicating US support for French policies there. He will want a formal US endorsement of his Algerian policy in the official communiqué ending his visit here. The absence of a reference to Algeria in the communiqué following the Khrushchev visit may have been due to De Gaulle's unwillingness to restate his acceptance of the Oder-Neisse line as Germany's eastern border, or because Khrushchev had again endorsed "self-determination" publicly.

Partly to maintain the "global" atmosphere of his Washington talks and partly because of the imminence of American presidential elections, De Gaulle will probably not make an issue of any of the questions which have disturbed US-French relations in the past two years. His dislike of submerging national identities in an integrated NATO, his opposition to foreign control of nuclear weapons based on French soil, his reasons for withdrawing the Mediterranean fleet from NATO control, and his unhappiness with US policies in North Africa are all unchanged. Moreover, his primary aim continues to be to win for France equality with its "Anglo-Saxon" allies in Western councils, including a voice in any Western decision to use the nuclear bomb.

A French-led Europe

While De Gaulle is unlikely to make any direct request for US aid to the French nuclear weapons program, he may ask clarification of President Eisenhower's statement of 3 February on the possibility the United States might make available to its allies atomic information already known to the Soviet Union. De Gaulle is determined to establish a French nuclear striking force armed

with sophisticated weapons and a modern delivery system. He has also shown increasing interest in the development of a European defense capability to provide military backing for the Continental European bloc he hopes to establish.

De Gaulle's basic aim is to "free" Europe from its present dependence on US- and British-controlled nuclear weapons, and to make a French-led Europe strong enough to play a leading role in East-West relations. He is also anxious that Europe be prepared for the day when the United States might decide to withdraw its forces from the Continent.

De Gaulle's public statements have from time to time reflected the fear expressed in some European circles that the United States and Britain would be reluctant to use their nuclear weapons to defend Europe for fear of provoking Soviet retaliation. He has repeated as recently as February that France must provide for its own defense "without relying on others." In a November press conference, he justified France's development of a nuclear capability, indicating he did not expect the "sort of equilibrium" which exists between the United States and the USSR to remain static. He warned that the advantage of "sudden advances" in the capabilities of either side might be so great as to overcome peaceful inclinations.

"Who can say," De Gaulle stated, "whether in the future the two powers having the nuclear monopoly will not agree to divide the world.... Who can say ...whether on some awful day Western Europe should be wiped out from Moscow and Central Europe from Washington." "France," the French President said, "in equipping herself with a nuclear weapon, will render a service to world equilibrium."

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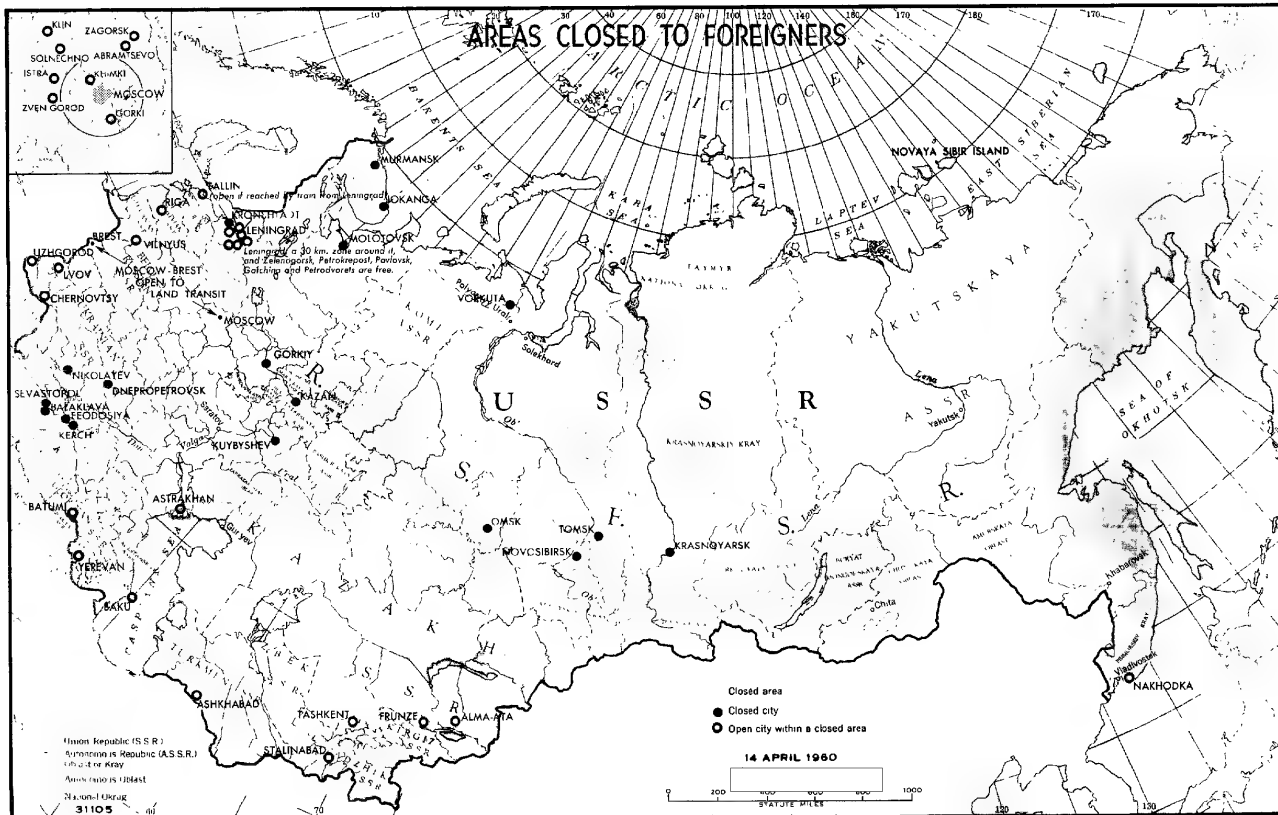
USSR MAINTAINS SECRECY FETISH DESPITE DETENTE

Moscow's charges that disarmament inspection, as envisaged by the West, equals espionage are symptomatic of Soviet preoccupation with internal security. The Kremlin boasts of military and technological superiority, concedes that war between East and West is no longer "fatally inevitable," and claims that the "victory of socialism in the USSR is final and complete," but it still treats an ordinary telephone directory as a classified document.

Despite the partial lifting of the iron curtain, the Soviet regime, through such means as all-pervasive censorship, travel restrictions, surveillance, and harassment,

seeks to hide from foreign observers, both official and private, as much as possible, except that which may contribute directly to its political and propaganda aims.

Travel restrictions have been revised three times since 1953, a series of East-West exchanges have been arranged, and a policy of selective disclosure of scientific and military information has been adopted. Although the net result has been a generally more relaxed attitude, in some respects, the freer flow of people and ideas has induced in security officials a heightened sense of vigilance, and the shield of secrecy around objects of military or



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technological interest is as thick as ever.

Closed Areas

The complex set of prohibitions which governs the travel of foreigners in the USSR was amended in June 1953, August 1957, and August 1959. On balance, the effect has been to open up some areas, in the Baltic states and the Western territories seized in 1939-41, for example, which had previously been denied because of political or economic instability, while adding to the prohibited list a number of areas of intelligence interest from the military or technological point of view. Also denied are the Soviet Far North, the bulk of the Far Eastern provinces, the northern and eastern shores of the Caspian Sea, and parts of Central Asia, which have been formally forbidden to foreigners all along.

There are, in addition, the devices of "temporary" and de facto closures. Many of those parts of Central Asia normally open are "temporarily" closed each year during spring maneuvers. Other areas officially accessible are, in fact, denied on various pretexts. Numerous requests by Western representatives to visit Vorkuta, the former slave-labor center above the Arctic circle, were denied, although it has been formally prohibited only since August 1959.

In other cases, approved travel is subjected to indirect restrictions along the route. Misroutings or delays are used to ensure that the observer will pass through an area of interest at night.

Surveillance and Harassment

Surveillance, provocations, and staged incidents have long been familiar to Western diplomats and military attachés in the Soviet Union. With the expansion of East-West exchanges, the various forms of surveillance and harassment have been extended to cover exchange students, delegations, and ordinary tourists. Such activities directed against tourists have apparently increased.

Printed matter was carefully inspected by customs officials at entry points in 1959, although in previous years little concern had been shown. In some cases, books were confiscated at the border and never returned to their owners. Furthermore, last year for the first time there were instances in which men's wallets and women's purses were inspected and pockets turned inside out. Customs inspections at exit points also became increasingly severe.

Searches were more frequent. In a number of instances snaps and locks were simply broken. Personal items such as cameras and diaries frequently disappeared from their owner's rooms for days. In other cases, tape recorders, cameras, and unexposed film were obviously tampered with and sometimes put out of commission. Nocturnal telephone calls as a check or reminder of surveillance, telephone taps, and concealed microphones were encountered with increased frequency.

In 1959, American tourists and businessmen resident in the USSR long enough to receive foreign mail noticed that their letters were being opened. In many cases there was little or no attempt to conceal the tampering.

Intourist guides make it clear that tourists are not permitted to photograph military installations, railroad

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stations, airfields, bridges, government buildings, industrial enterprises, and the like. On the whole, Americans have abided carefully by the regulations, but in 1959 a number of Americans were detained or arrested for "misusing" their cameras. Some made the mistake of photographing unflattering scenes, but others had photographed objects of natural interest to tourists which, unknown to them, included areas considered by the USSR to have military or economic intelligence interest.

Since Stalin's death, and particularly since 1958, the Soviet regime has lost some of its inhibitions against the release of economic data. Statistics on the production of some items, on trade of some articles, and some planning data have replaced the former releases, which consisted of announcements of a series of percentage changes on a base year for which data were concealed. Still protected, however, is a very wide range of production data on the output of individual plants, armament and military-related products, and other state secrets such as practically all data relating to the output of precious or base nonferrous metals.

Limitation of Contacts

Contacts between foreigners and Russians have expanded markedly in recent years as a result of both the increase in East-West exchanges and a greater sense of personal security on the part of Soviet citizens. There remains, however, a considerable barrier to free, spontaneous contacts. Western officials must continue to reckon with more or less permanent surveillance, while official delegations and tourists are almost constantly under the watchful eye of official guides, who operate under instructions from security officials.

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Public Disclosure

Disclosure or public discussion of security-related topics in recent years has given the appearance of some relaxation, but, with hardly any exceptions, a self-serving aim is always evident. For example, Khrushchev's disclosure in January of the size of his armed forces, although unprecedented, was intended to strengthen his hand in disarmament negotiations. On vital points the Soviet sense of security remains extremely strict. The USSR consistently denies access to information and facilities when it feels that such access would weaken military security, and that details on similar activity in the West will routinely become available in open sources and not require a quid pro quo trade.

Guided Missiles

Statements by high Soviet officials, designed to underscore Moscow's self-confidence and to buttress its international prestige, have occasionally thrown some light on the general development of the USSR's guided missile program, but have not revealed details.

Travel restrictions may be a barometer of sensitivity: five cities added to the denied list last August--Vorkuta, Gorky, Kazan, Kuybyshev, and Dnepropetrovsk--may be involved in some aspect of the guided missile program. Soviet aircraft designer Tupolev was given a tour

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of Thor missile production facilities during a visit to the US, and Mikoyan was offered a trip to Vandenberg AFB. However, a request by the Nixon party for a visit to a Soviet missile production facility was never answered.

Aircraft Industry, Shipbuilding

Aircraft factories are in many instances situated in closed areas. Where this is not the case, Western travelers approaching areas known to contain aircraft plants are frequently turned back by security police or the military. The Russians have gone so far as to put a smoke screen around a factory airfield when it was known that the US air attaché would be passing the field by train. General Twining's group in 1956 visited Airframe Plant 20 and Aircraft Engine Plant 45, both in Moscow, but neither of the plants was doing work of military interest at the time. With these exceptions, aircraft factories have been strictly out of bounds to Westerners.

Some foreigners, including a few Americans, have been allowed to visit certain Soviet shipyards producing merchant vessels. However, shipyards producing or suspected of producing naval vessels such as submarines and destroyers are generally located in closed cities, or, as in the case of Leningrad, access is prevented by the denial of travel requests or by on-the-spot action by servicemen, police, or ordinary citizens to prevent observation and photographing. The USSR has not agreed to an exchange of shipbuilding specialists. Only after strenuous protests was Admiral Rickover allowed to make anything but the most superficial tour of the nuclear-powered icebreaker Lenin.

Military Secrecy

Secrecy concerning all phases of the development and

production of new weapons is extremely heavy until there is a public showing of the new weapons or an announcement that such weapons exist. These disclosures are always tied to the current propaganda line in order to emphasize that the USSR has the strength to back its policies. The USSR never publishes information on the size of its military stockpiles, nor does it ever invite Western attachés to unit exercises or publish the specifics of significant tactical or strategic doctrines.

Vigilance Stressed

There is thus no sign of a reduction of Moscow's far-flung internal security system. With the sharply increased influx of foreign visitors, the accent may fall on more, rather than less, internal security.

The State Secrets Act issued in 1956 is, like the 1947 statute it replaced, a lengthy compendium prohibiting divulgence of many kinds of information regarded elsewhere as public property. A rigid censorship of domestic publications and of outgoing press dispatches continues.

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A resurgence of "security consciousness" was also evident in the extensive "vigilance" campaign in the press in the latter half of 1958--a campaign which stressed the dangers of carelessness and complacency arising from "peaceful coexistence" and warned against the depredations of US intelligence, which is said to employ "tens of thousands of people who bend all efforts to inflict damage in the countries of socialism." (Concurred in by ORR)

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